

Message Text

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C O N F I D E N T I A L MOSCOW 07385

E.O.11652: GDS
TAGS: EEWT, ETRD, UR
SUBJECT: ADDITIONAL PERSONNEL FOR BELARUS MACHINERY

REF: STATE 83992

1. EMBASSY AGREES COMPLETELY WITH DEPARTMENT'S SKEPTICISM OVER ALLEGED NEED OF BELARUS MACHINERY FOR TWO MORE PERMANENTLY-ASSIGNED SOVIET EMPLOYEES IN U.S. WE HEAR CONSTANTLY FROM SOVIETS ABOUT THEIR GROWING LACK OF INTEREST IN U.S. MARKET. AT SAME TIME, WE ARE PRIVY TO STRONG RUMORS THAT SOVIETS MAY BE APPLYING A "FREEZE" ON ACCREDITING NEW U.S. (AND WESTERN) FIRMS IN MOSCOW UNTIL AFTER 1980 OLYMPIC GAMES. THERE WOULD SEEM, THEREFORE, TO BE NO COMPELLING REASON TO CONSIDER SOVIET REQUEST ESPECIALLY SINCE, AS DEPARTMENT POINTS OUT, BELARUS MACHINERY IS NOT DOING MUCH BY WAY OF BUSINESS THESE DAYS.

2. WE UNDERSTAND FROM AT LEAST TWO LARGE TRACTOR MANUFACTURERS (I-H AND CATERPILLAR) THAT BOTH FIRMS ARE REFUSING TO KNUCKLE UNDER TO FTO TRAKTOROEKSPORT'S HALF-HEARTED ATTEMPTS TO DIRECT ALL OF ITS CONTRACT SIGNINGS WITH U.S. FIRMS TO BELARUS OFFICES IN NEW YORK. I-H REP POINTED OUT THAT NEEDLESS INSERTION OF BELARUS INTO
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PAGE 02 MOSCOW 07385 111526Z

NEGOTIATION EQUATION WOULD:

-- INCREASE COST OF DOING BUSINESS WITH SOVIETS BY 2-3 PERCENT, SINCE BELARUS WOULD UNDOUBTEDLY INSIST ON ITS CUT OF ANY TRANSACTION;

-- UNDERMINE FIRM'S REPUTATION WITH TRAKTOROEKSPORT

WHICH, UPON SEEING BELARUS EXTRACT A COMMISSION FROM I-H, WOULD IMMEDIATELY CONCLUDE THAT I-H PRICES ALL ALONG HAD BEEN SUBJECT TO FURTHER DISCOUNTS;

-- LEAD TO VIRTUAL ELIMINATION OF NEED FOR MOSCOW OFFICES, WHICH BOTH FIRMS NOW SEE VALID FUTURE REASONS FOR MAINTAINING.

3. BOTH I-H AND CAT HAVE, REPORTEDLY, REFUSED TO MAKE BELARUS CONNECTION AND APPARENTLY NEITHER HAVE YET SUFFERED FOR IT. THIS IS PROBABLY BECAUSE TRAKTOROEKSPORT IS NOT REALLY SOLD ON IDEA, REPRESENTING AS IT DOES A TERRITORIAL INFRINGEMENT ON LATTER'S HISTORIC FUNCTION. PETER F. KERR, EAST-WEST MARKETING MANAGER FOR JOHN DEERE (DEERE AND COMPANY), TOLD COMOFF RECENTLY THAT BELARUS HAD APPROACHED HIM WITH JOB OFFER TO TAKE OVER MARKETING OF BELARUS TRACTORS IN U.S. KERR REPORTEDLY TURNED THEM DOWN FLAT.

4. IN SUM, SOVIET ATTEMPTS TO ENHANCE VISIBILITY AND FUNCTION OF BELARUS MACHINERY IN U.S. SEEM NOT TO HAVE WORKED OUT. THUS, WE RECOMMEND DEPARTMENT DENY APPROVAL TO BELARUS MACHINERY TO LAY ON, EVEN TEMPORARILY, TWO MORE SOVIET PERSONNEL. TOON

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